

# **State of Massachusetts Drinking Water State Revolving Fund**

## **Program Evaluation Report**

**SFY 2022  
(7/1/21 – 6/30/22)**

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## I. INTRODUCTION

The Drinking Water State Revolving Fund (DWSRF) program was created in 1996 to assist public water systems in financing the costs of infrastructure needed to achieve and/or maintain compliance with and protect public health objectives of the Safe Drinking Water Act (SDWA). Section 1452 of the SDWA requires EPA to conduct an Annual Review to assess the State's progress in the implementation of its DWSRF program. The ultimate objective of the Annual Review is to ensure the program is designed and operated to provide ongoing assistance for drinking water activities while achieving the intent of the SDWA Amendments.

On November 15, 2021, President Biden signed the Bipartisan Infrastructure Law (BIL), also known as the Infrastructure Investment and Jobs Act (IIJA) or 2021, (P.L. 117-58). The BIL appropriates more than \$43 billion to be administered through the existing CWSRF and DWSRF programs from federal fiscal years (FFYs) 2022 through 2026. During these fiscal years, the BIL created three annual appropriations in addition to the base DWSRF program:

- DWSRF General Supplemental,
- DWSRF Emerging Contaminants, and
- DWSRF Lead Service Line Replacement.

The BIL additionally made amendments to the SDWA Section 1452: reauthorized the DWSRF program at elevated amounts from FY 2022 through 2026, expands allowable forms of SDWA 1452(d) Disadvantaged Additional Subsidy, raises minimum SDWA 1452(d) Disadvantaged Additional Subsidy floor from 6% to 12%, made permanent the American Iron & Steel procurement requirements and added the Build America, Buy America procurement requirements.

This document, the Program Evaluation Report (PER), summarizes EPA's Annual Review of the Massachusetts DWSRF program for the period of SFY 2022 (7/1/21 – 6/30/22) and will serve as the basis for actions taken by the State and as a point of future reference for the Region. The Annual Review took place February 28 – March 1, 2023 and was conducted in accordance with EPA's Annual Review Guidance, including a document review, discussions with state staff, and completion of nationally standardized programmatic, financial, and project file checklists.

## II. PRE-ONSITE REVIEW

EPA reviewed the following documents prior to beginning the Review: Operating Agreement, Annual Report, State Environmental Review Process (SERP), Intended Use Plan (IUP), Independent Audit Report, Drinking Water SRF Data System Reports, Single Audit Report, Set-Aside Workplans, Bond Documents, Federal Financial Accountability and Transparency Act (FFATA) Reports, and Compass Reports. This document review provided the information necessary to answer some of the questions in the Annual Review Checklist developed by EPA Headquarters and to complete the sections below.

### ***a. Awards to Date and Summary DWSRF Statistics***

The Massachusetts Clean Water Trust (Trust) received their FFY 2021 DWSRF capitalization grant for \$25,526,000 during SFY 2022. As of June 30, 2022, EPA has awarded the Trust an amount of \$628,171,100 in DWSRF funding since the inception of the DWSRF program.

The pre-review provided EPA with a snapshot of the program's financial status, allowing EPA to determine compliance with binding commitment and small systems assistance requirements. Key

SFY 2022 and cumulative information on the program is listed in Table 1. Summary annual and cumulative statistics for Massachusetts's DWSRF program..

**Table 1.** Summary annual and cumulative statistics for Massachusetts's DWSRF program.

	<b>SFY 2022</b>	<b>Cumulative as of 6/30/2022</b>
<b>Total State Match<sup>1</sup></b>	\$7,427,000	\$121,410,960
<b>Repayments (principal and interest)<sup>2</sup></b>	\$109,516,662	\$989,573,598
<b>Interest Earnings on Investments<sup>3</sup></b>	\$676,300	\$244,249,409
<b>Bond Proceeds<sup>4</sup></b>	\$0	\$1,767,536,585
<b>Income from Fees<sup>5</sup></b>	\$1,451,922	\$20,912,923
<b><u>Binding Commitments:</u></b>		
<b>Number of Agreements<sup>6</sup></b>	21	550
<b>Dollar Amount<sup>7</sup></b>	\$155,142,432	\$2,411,198,575
<b>Amount in Excess of Required Commitments</b>		\$1,824,392,804
<b><u>Small Systems Assistance:</u></b>		
<b>Number of agreements<sup>8</sup></b>	6	104
<b>Dollar Amount<sup>9</sup></b>	\$60,117,713	\$316,017,713
<b>Percent of Assistance Provided<sup>10</sup></b>	39%	13%
<b><u>Subsidy:</u></b>		
<b>Number of Agreements<sup>11</sup></b>	10	158
<b>Dollar Amount (Subsidy portion only)<sup>12</sup></b>	\$16,159,426	\$121,114,886

Of the \$628,171,100 awarded, \$489,004,809 went to projects and the remaining \$139,166,291 went to set-aside activities. A summary of set-aside obligations and balances can be found in Table 2.

<sup>1</sup> DWNIMS lines 34 and 35, respectively.

<sup>2</sup> DWNIMS lines 283 and 286, respectively.

<sup>3</sup> DWNIMS lines 296 and 297, respectively.

<sup>4</sup> DWNIMS lines 252 and 260, respectively.

<sup>5</sup> DWNIMS lines 303 and 304, respectively.

<sup>6</sup> DWNIMS lines 135 and 136, respectively.

<sup>7</sup> DWNIMS lines 129 and 130, respectively.

<sup>8</sup> Annual value is the sum of DWNIMS lines 144, 145 and 146. Cumulative from "dwcsizereg" report.

<sup>9</sup> Annual value is the sum of DWNIMS lines 137, 138 and 139. Cumulative from "dwcsizereg" report.

<sup>10</sup> Annual value is the sum of DWNIMS lines 137, 138 and 139, divided by DWNIMS line 142. Cumulative from "dwcsizereg" report.

<sup>11</sup> DWNIMS lines 193 and 194, respectively.

<sup>12</sup> DWNIMS lines 191 and 192, respectively.

Table 2. Set-Aside amounts obligated, expended and reserved as of June 30, 2022.

	4% Admin.	2% Technical Assistance	10% State Program Management	15% Local Assistance
<b>Total Amount Obligated</b>	\$24,928,449	\$11,513,652	\$42,884,276	\$59,839,914
<b>2022 Amount Expended</b>	\$876,230	\$479,426	\$0	\$4,159,008
<b>Total Amount Expended</b>	\$24,140,820	\$10,781,768	\$42,884,276	\$ 55,390,971
<b>Balance as of 6/30/2022</b>	\$787,629	\$731,884	\$0	\$4,448,943
<b>Reserved Authority</b>	\$191,195	\$1,049,920	\$19,933,584	N/A

#### **b. Financial Indicators<sup>13</sup>**

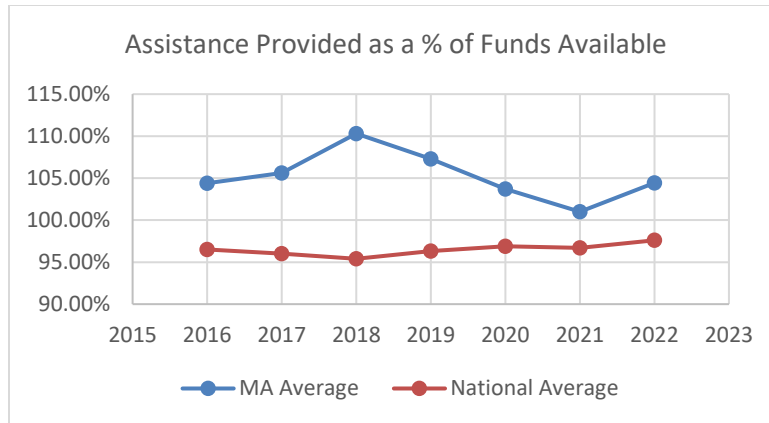
Many of the indicators are incorporated into the Government Performance and Results Act (GPRA) annual performance goals for the DWSRF program. These financial indicators are tools which help us understand and assess a State's SRF program within our Region and are calculated using the data which the State provides in the DWSRF Data System report each year.

The **Assistance Provided as a % of Funds Available** indicator measures the dollar amount of executed loan agreements to the cumulative dollar amount of funds available for loans. It is one indicator which measures the **Pace** of the program, by gauging how quickly funds are made available to finance DWSRF projects. This indicator has a wide range of values and can exceed 100% for those states that have adopted an advanced loan approval approach. The advanced loan approach makes use of the lag time between the signing of loan agreements and the disbursement of monies to complete the projects. Massachusetts is proceeding to convert its DWSRF available funds into executed loans at a rate of 104.4%. This indicator has been consistently higher than the national average. This indicates a solid DWSRF program pace. Massachusetts should be commended for maintaining a strong DWSRF program.

Figure 1. Assistance Provided as a % of Funds Available

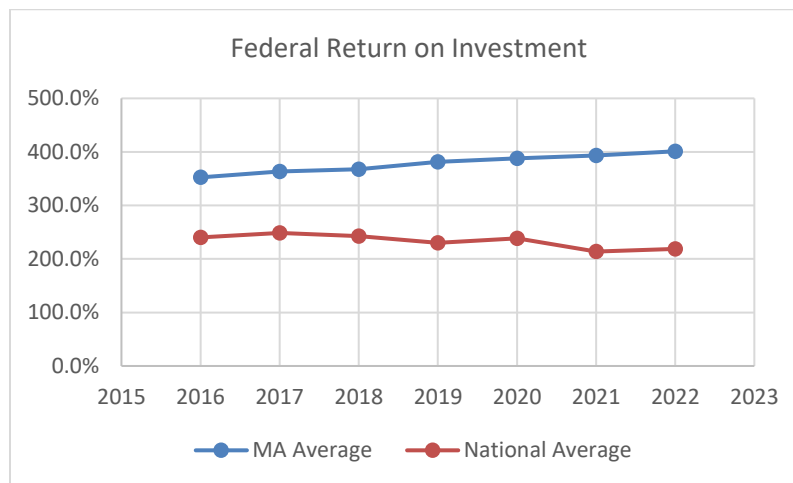
<sup>13</sup> Indicators are provided under EPA memoranda: Implementation of DWSRF Financial Indicators dated February 23, 2003 and EPA Memoranda: "Implementation of Additional SRF Financial Indicators" dated April 26, 2018.

[https://usepa.sharepoint.com/sites/OW\\_Work/srf/SRFLibrary/Shared%20Documents/Memos/Implementation%20of%20Additional%20SRF%20Financial%20Indicators.pdf](https://usepa.sharepoint.com/sites/OW_Work/srf/SRFLibrary/Shared%20Documents/Memos/Implementation%20of%20Additional%20SRF%20Financial%20Indicators.pdf)



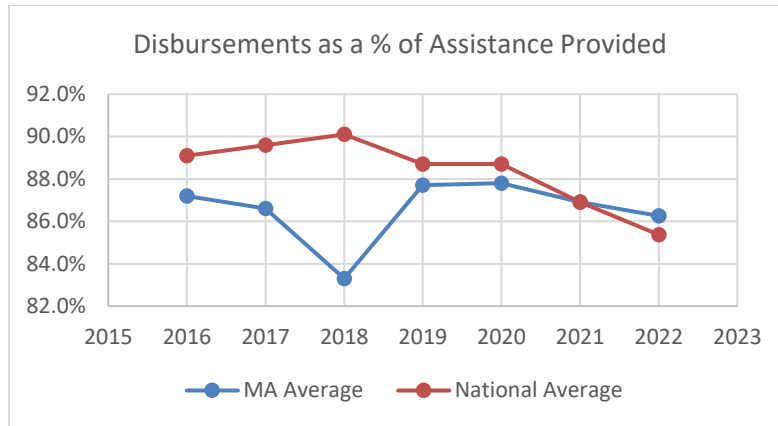
The **Return on Federal Investment** indicator shows how many dollars of assistance were disbursed to eligible borrowers for each Federal dollar spent. The State of Massachusetts is disbursing funds at a rate of 401.1%. Not only is the state's rate significantly higher than the national average (219%), but it is also an increase of 8 points from the previous year. This indicates that for every federal dollar expended, approximately \$4.01 of assistance is disbursed through Massachusetts's DWSRF program.

Figure 2. Return on Federal Investment



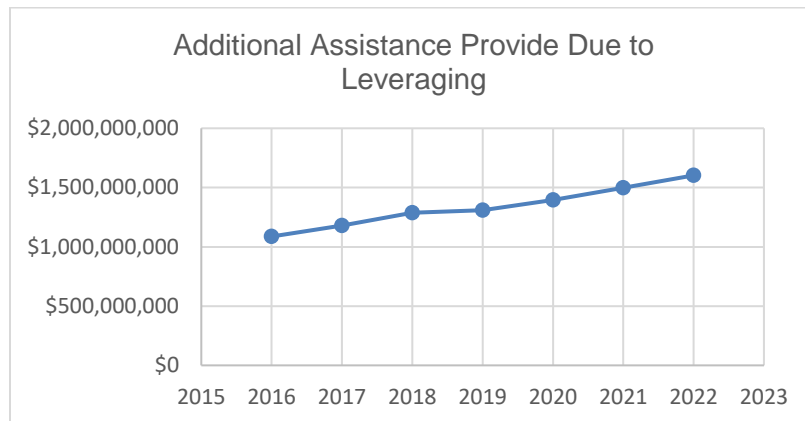
The **Disbursements as a Percent of Assistance Provided** indicator measures the *speed* at which projects are proceeding to completion. This indicator shows the relationship between loan disbursements and the amount of funding provided. This indicator has a wide range of values but should not exceed 100% as that would indicate disbursing funds in excess of the funds committed. Massachusetts is proceeding at a rate of 86.3%, which is only slightly lower than last year's rate of 86.9%. However, this rate is still higher than the national average. This indicator reflects how efficient Massachusetts's DWSRF program is at disbursing funds to its borrowers during difficult economic times.

Figure 3. Disbursements as a Percent of Assistance Provided



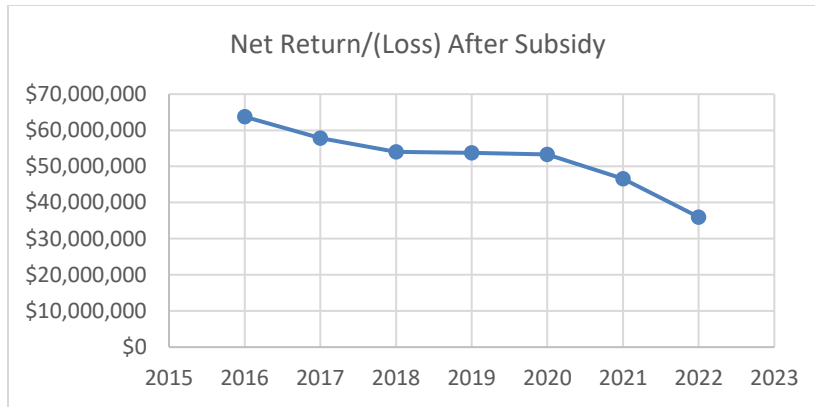
The **Additional Assistance Provided Due to Leveraging** indicator tries to estimate the dollar amount of additional projects which have been funded, that otherwise might not have been funded, had leveraged bonds not been issued. This is done by comparing the cumulative amount of funds available after subtracting out the net funds provided by issuing bonds. Massachusetts funded an additional \$1,602,660,793 in projects due to leveraging during SFY 2022.

Figure 4. Additional Assistance Provided Due to Leveraging



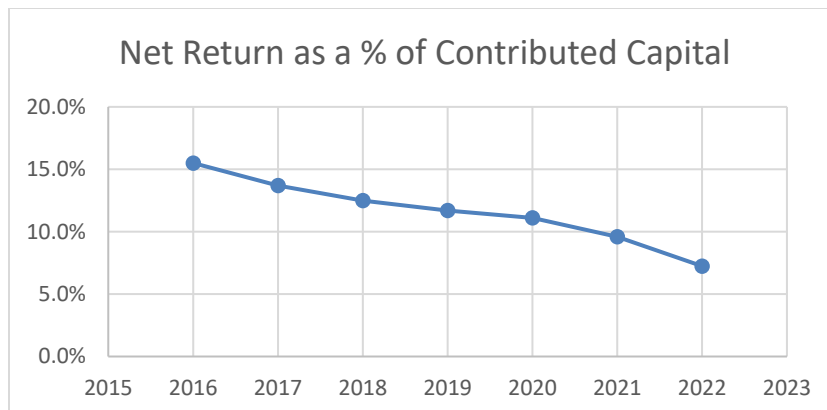
The **Net Return after Repaying Match Bonds Excluding Subsidy** indicator shows the net earnings of the DWSRF after any State Match Bonds are repaid and any Loan Principal is forgiven, thereby showing how well the DWSRF is maintaining its' invested and contributed capital. The indicator is expressed in *dollar* amounts. A positive value indicates that the revenues of the fund are meeting expenses after any state match bonds are repaid and any loan principal is forgiven. Additionally, a positive value shows that the DWSRF is maintaining its contributed capital. Conversely, a negative value indicates that expenses are exceeding revenues after any state match bonds are repaid and any loan principal is forgiven. Massachusetts had a net return of \$36,000,058, as of June 30, 2022.

Figure 5. Net Return after Repaying Match Bonds Excluding Subsidy



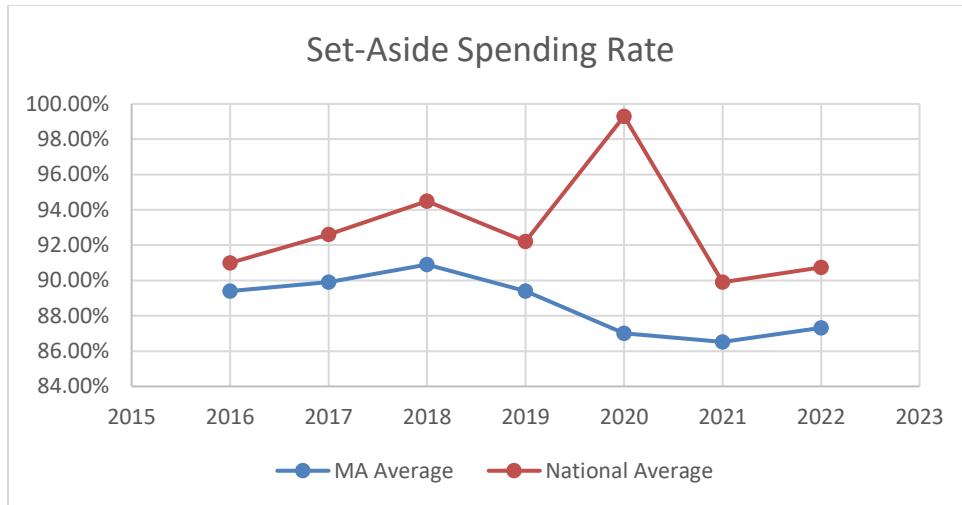
The **Net Return on Contributed Capital Excluding Subsidy** indicator is expressed as a *percentage* showing the Net Return on the invested/contributed capital after repaying any State Match Bonds and after forgiving any Loan Principal. While the previous financial indicator was expressed in dollar amounts, this financial indicator is expressed as a percentage. This indicator estimates the growth of the DWSRF relative to the investment earnings and to the Federal and State contributed capital. A positive value indicates the Fund's growth, and a negative value indicates a net loss. As of June 30, 2022, Massachusetts has a net return of 7.2%.

Figure 6. Net Return on Contributed Capital Excluding Subsidy



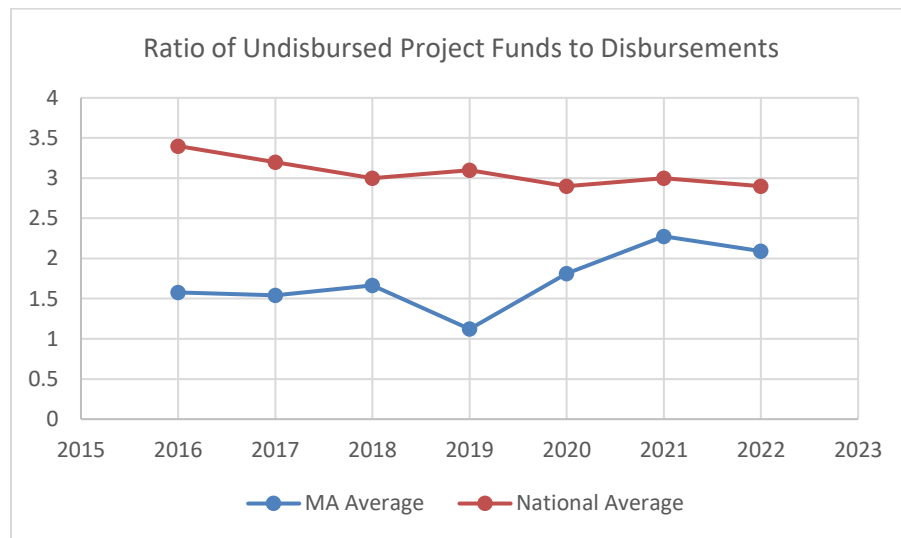
The **Set-Aside Spending Rate** indicator depicts the pace of the state set-aside program by expressing, as a percent, the rate of expenditure of all of the money which has been placed into all of the set-aside accounts. Massachusetts's expenditure rate is 87.32%, which is slightly higher than last year's rate of 86.52%. This high spending rate has been consistent over the past several years and shows good utilization of the allowed set-aside funds. The national average is 90.7% and Massachusetts' rate is close to the national rate.

Figure 7. Set-Aside Spending Rate



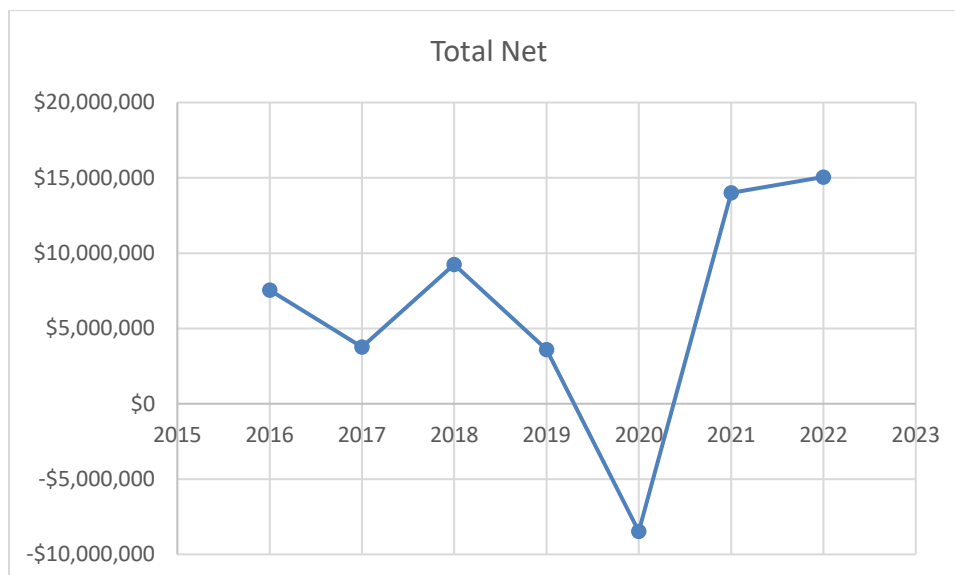
The **Undisbursed Funds to Average Disbursements (Years to Disburse)** evaluates how efficiently SRF funds are revolving (and thus, balancing inflows and outflows) by examining a program's disbursement rate over a set time period and comparing it to the amount of cash on hand. The results of this measure reflect the number of years it would take to spend the cash on hand assuming the future disbursements are consistent with average annual disbursements over the past three years. This indicator shows that Massachusetts has 2.09 years' worth of undisbursed cash on hand. This indicator shows Massachusetts has been revolving their funds at a faster rate than the national average of 2.9 years.

Figure 8. Undisbursed Funds to Average Disbursements (Years to Disburse)



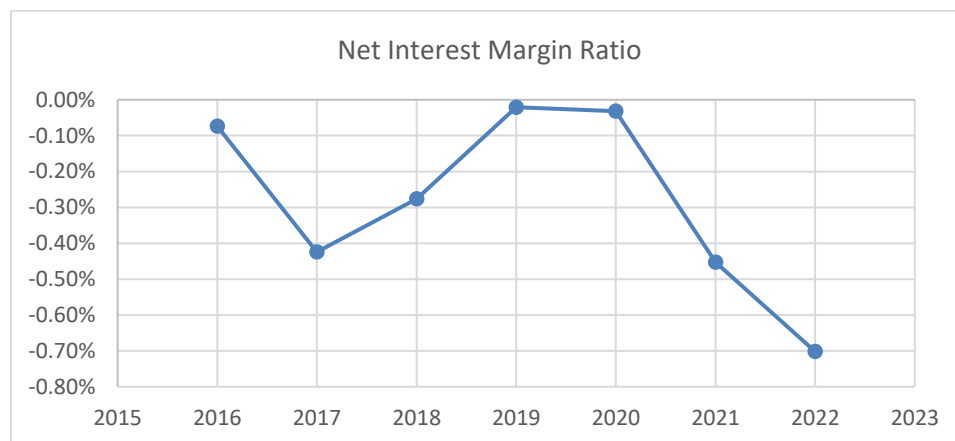
**Total Net** measures the extent by which internal growth is generating additional funding for new projects. It accomplishes this by taking the total cash inflows generated by ongoing loan and investment activity and subtracting out debt service payments from outstanding match and leveraged bonds. New federal capitalization grants and leveraged bond issues are also excluded from this calculation. This measure reflects the amount of new annual project funding generated solely from net repayments. Massachusetts's total net is \$15,056,606. This indicates Massachusetts is continuing to grow their program.

Figure 9. Total Net



**Net Interest Margin** measures the net rate of return (as a percentage) the SRF is generating from its Total Assets through loans and investments after accounting for the interest expenses associated with match and leveraged bonds. It differs from the existing Retained Earnings metric because it does not include Match Bond Principal as an expense. Massachusetts's net interest margin is -0.70%.

Figure 10. Net Interest Margin

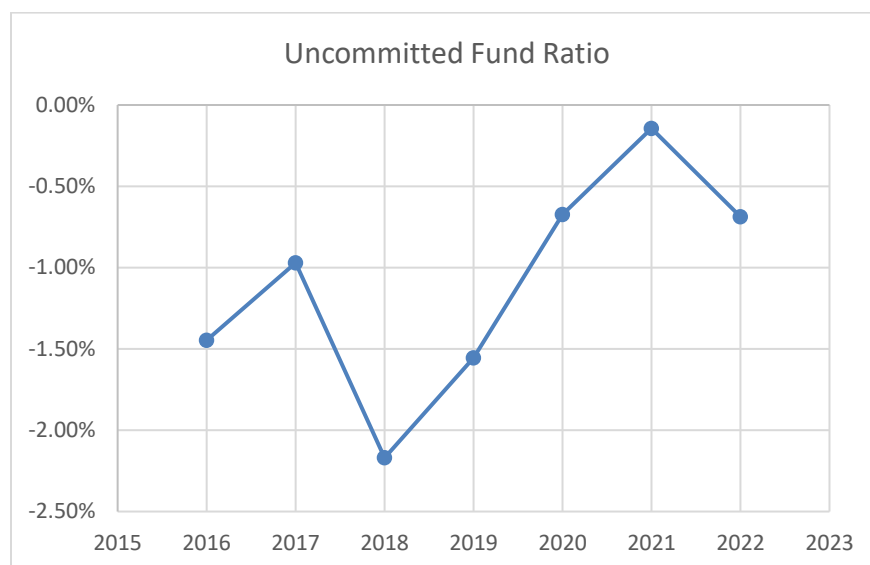


### c. **Uncommitted Funds**

EPA Headquarters has developed a ratio to assist the Regions on assessing the amount of uncommitted funds a state has at the end of each fiscal year. Uncommitted funds include federal and non-federal funds, repayments, state match, interest earnings, and bond proceeds (when applicable). The ratio is calculated by taking the amount of all available (uncommitted) funds at the end of the fiscal year and determining how many years it would take to draw down that amount based on the average drawdown rate over the last 3 years of disbursements. The unofficial goal is

to have a ratio of less than 2.0 which represents having less than 2 years of uncommitted funds. As of June 30, 2022, Massachusetts has an uncommitted fund ratio of -0.69%.

Figure 11. Uncommitted Funds



#### d. *Unliquidated Obligations*

Unliquidated Obligations (ULOs) are funds that have been awarded or obligated to the state and have not yet been drawn down or used for their intended purposes. For the DWSRF program, this includes both funds that have been reserved for construction projects and funds that have been reserved for set-aside activities.

In an effort to reduce ULOs in the DWSRF program, EPA Headquarters developed a National ULO Reduction Strategy in April 2014. This established a goal to have all capitalization grants fully expended within two years of their award date. As of June 30, 2022, the total ULO for the Massachusetts DWSRF program was \$10,925,676.72, which is comprised of balances from the 2020 and 2021 capitalization grants. Details are shown in Table 3.

**Table 3.** Massachusetts DWSRF unliquidated obligations (ULOs) as of 6/30/22.

Capitalization Grant	Balance of Funds as of 6/30/22		
	<u>Total</u>	<u>Projects</u>	<u>Set-Asides</u>
FFY 2020	\$841,407.40	\$0	\$841,407.40
FFY 2021	\$10,084,269.32	\$4,957,220	\$5,127,049.32
<b>Totals ULOs</b>	<b>\$10,925,676.72</b>	<b>\$4,957,220</b>	<b>\$5,968,456.72</b>
<b>Total Obligations (to date)</b>	<b>\$628,171,100</b>	<b>\$489,004,809</b>	<b>\$139,166,291</b>
<b>ULO percentage<sup>14</sup></b>	<b>1.7%</b>	<b>1.0%</b>	<b>4.3%</b>

<sup>14</sup> The ULO percentage is calculated by dividing the total ULO dollar amount by the total obligated funds since the inception of the program and multiplying that value by 100.

<b>Regional Average ULO Percentage</b>	<b>3.9%</b>	<b>3.6%</b>	<b>5.0%</b>
<b>National Average ULO Percentage</b>	<b>3.2%</b>	<b>2.4%</b>	<b>7.1%</b>

The Mass DWSRF program is below both the national and regional averages for ULO across the board: overall, projects, and set-asides. EPA commends the Massachusetts DWSRF program for being fully on target to meet these ULO goals with only 2 open capitalization grants.

**e. *Financial Audit***

Independent financial audits are conducted annually to determine whether SRF financial statements are presented fairly in conformity with Generally Accepted Accounting Principles (GAAP) as issued by the Governmental Accounting Standards Board (GASB). Additionally, the audit should determine if there are any weaknesses in internal controls with regard to the oversight of SRF funds and if the state is in compliance with respect to laws, regulations and the provisions of SRF capitalization grants.

On October 27, 2022, CliftonLarsonAllen LLP, issued the results of the financial audit conducted on the Massachusetts Clean Water Trust (MCWT). The State received an unmodified opinion on the financial statements for both SRF programs, and CliftonLarsonAllen LLP, also reported there were no findings or deficiencies, however there was a weakness in internal controls. Additionally, the audit found the state complied with generally accepted accounting principles. The state should be commended for continued excellence in financial management and reporting.

### **III. FINANCIAL REVIEW**

EPA Region 1 financial analysts thank state staff for making themselves available for interviews and meetings during the financial review. The information gathered during interviews with state staff was used to complete the Annual Review Checklist and Transaction Testing Worksheet developed by EPA Headquarters. The following sections summarize document reviews and discussions that took place.

**a. *Transaction Testing***

In accordance with the EPA's Oversight Plan, Table 4 shows the 4 cash draws reviewed for the DWSRF program. The DWSRF program has been deemed low risk and therefore there are no selected cash draws by EPA's Office of the Chief Financial Officer (OCFO) to review this fiscal year.

**Table 4.** Cash draws selected for transaction testing.

Date of Cash Draw	Amount of Cash Draw	Description of Transaction
8/20/2021	\$1,874.00	Project draw from grant # FS99191420
12/22/2021	\$1,007,638.01	Admin \$177,925.28, Tech Asst \$70,105.05, and Loc Asst \$759,607.68 draw from grant # FS99191420
3/11/2022	\$859,510.00	Project draw from grant # FS99191421
5/27/2022	\$163,135.98	Admin draw from grant # FS99191421

These transactions did not duplicate any of the transactions sampled during previous reviews and all the items appeared to be eligible under the DWSRF program. The back-up documents associated with these payment requests were reviewed in detail to complete the transaction testing worksheets developed by EPA Headquarters. EPA Region 1 found the Trust and the Massachusetts Department of Environmental Protection (Mass DEP) staff to be very cooperative in providing well-organized documentation for the draws requested and answering any questions asked.

Review of the above transactions determined that each cash draw transaction occurred within a timely manner and there were no improper payments.

#### ***b. Proportionality***

The Massachusetts DWSRF Program uses the 100% Disbursement Method, where the State demonstrates 100% of the equivalent state match associated with a specific capitalization grant was fully drawn from its SRF fund prior to drawing the first federal dollar from the US Treasury from that same capitalization grant. The State has historically used this method and plans to continue to use it in the future.

#### ***c. State Match***

State match has been secured through the Commonwealth's Capital Plan (state appropriation) to cover the anticipated state match for DWSRF grants through FY 2023. With regard to the specific FY22 capitalization match requirement, the Trust provided sufficient documentation to the SRF Team verifying the required level of state match has been transferred, deposited, and available for use in its DWSRF program. On June 28, 2022, the total state match of \$7,427,000 was deposited by the Trust.

### **IV. PROGRAMMATIC REVIEW**

EPA Region 1 project officers thank state staff for making themselves available for interviews and meetings during the programmatic review. The information gathered during interviews with state staff was used to complete the Annual Review Checklist and Project File Review Checklist developed by EPA Headquarters. The following sections summarize document reviews and discussions that took place.

#### ***a. Project File Reviews***

In accordance with the EPA's Oversight Plan, Project File Review Checklists were completed for the following 2 DWSRF projects:

### *Project Files for this Review*

<i>Massachusetts Water Resources Authority</i>	\$9,872,250
<i>DWP-21-28</i>	Loan Date: 12/1/2022
<i>Weston Aqueduct Supply Main Replacement</i>	
<i>Westfield DWP-21-06</i>	\$15,548,617
<i>Dry Bridge Road PFAS Water Treatment Plant</i>	Loan Date: 2/1/2022

Project, construction, and administrative loan files were examined to ensure that projects are managed consistent with federal regulations and policies governing the DWSRF program.

Files were checked for the inclusion of documentation supporting the following requirements:

<i>Requirements</i>	<i>All DWSRF Projects</i>	<i>DWSRF Equivalency Requirements</i>
<i>American Iron and Steel (AIS)</i>	X	
<i>Bidding Process</i>	X	
<i>Cross-cutters: Environmental</i>		X
<i>Cross-cutters: Socio-economic</i>		X
<i>Cross-cutters: Super (Civil Rights)</i>	X	
<i>Davis Bacon Wage Requirements</i>	X	
<i>Disadvantaged Business Enterprise (DBE)</i>		X
<i>Federal Funding Accountability and Transparency Act (FFATA)</i>		X
<i>Generally Accepted Government Accounting (GAAP)</i>	X	
<i>Inspection Reports</i>	X	
<i>Environmental Review based on SERP</i>	X	
<i>Project Eligibility</i>	X	
<i>Project Useful Life</i>	X	
<i>Signage</i>		X
<i>Single Audit</i>		X
<i>Telecomm Equipment &amp; Services</i>		X
<i>Technical, Financial and Managerial Capacity</i>	X	

All necessary documentation was available for review by the time that EPA began the review and no significant issues were identified for the projects reviewed.

#### ***b. Equivalency***

Massachusetts applies equivalency to the following requirements:

- Federal Financial Accountability and Transparency Act (FFATA)

All other equivalency requirements are applied to all DWSRF projects, regardless of source of funding.

#### ***c. FFATA Reporting***

FFATA applies to all federal funding awarded after October 1, 2010. FFATA requirements are considered met when loan, contract, and set-aside activity has been reported to [www.fsrs.gov](http://www.fsrs.gov) in

an amount equivalent to the full capitalization grant. Satisfied FFATA reporting amounts as of June 30, 2022 are shown in Table 5. FFATA Requirements.

**Table 5. FFATA Requirements**

Grant	Required Amount	Already Reported	Left to be Reported
2021	\$25,526,000	\$25,526,000	\$0

**d. Additional Subsidy Requirements**

EPA would like to commend the State on providing detailed disbursement information on additional subsidy on projects that were counted towards the 2018 – 2021 capitalization grants as of 6/30/22 in the 2023 MA SRF Annual Report. The additional subsidy should be committed in executed loan agreements by the end of the fiscal year by the end of the federal fiscal year following the appropriations year. The additional subsidy requirement is considered met when the minimum subsidy funds have been disbursed. Capitalization grants cannot be closed out until the additional subsidy requirement for the grant has been met. As of 6/30/22, the 2018, 2020, and 2021 additional subsidy requirements have not been met. See Table 6. Additional Subsidy Disbursements for Open Grants for more information.

**Table 6. Additional Subsidy Disbursements for Open Grants<sup>15</sup>**

Grant	Requirement	State Subsidy Committed as of 6/30/22	DWSRF Subsidy Committed as of 6/30/22	Disbursed as of 6/30/22
<b>2018</b>	20% - \$5,154,800	N/A	\$5,154,800	\$5,154,800
<b>2019</b>	Min 26% - \$6,638,580 Max 55% - \$14,043,150 With at least 6% - \$1,531,980 to DAC	N/A	\$12,807,677 (All to DAC)	\$12,807,677
<b>2020</b>	Min 20% - \$5,109,800 Max 49% - \$12,519,010 With at least 6% - \$1,532,940 to DAC	N/A	\$11,988,933 (All to DAC)	\$11,700,000
<b>2021</b>	Min 20% - \$5,105,200 Max 49% - \$12,507,740 With at least 6% - \$1,531,560 to DAC	\$11,876,152 <sup>16</sup>	\$22,275,849 (total including state subsidy) \$10,399,697 (DAC)	\$0

<sup>15</sup> All additional subsidy requirement information is taken from the fiscal year DWSRF Allotment Availability memo provided each year by EPA Office of Ground Water and Drinking Water

<sup>16</sup> State subsidy includes other federal sources (e.g., ARPA) and contract assistance

Massachusetts has been able to provide a higher amount of subsidy to state priorities through contract assistance and other funding, such as the American Rescue Plan Act (ARPA). The OWSRF Data System does not currently allow the state to differentiate between additional subsidy provided by the DWSRF versus subsidy provided by another source (e.g., contract assistance). EPA Region 1 has provided recommendations to EPA HQ to add a data field in OWSRF to account for subsidy from other state resources. Until the system allows for additional subsidy provided from other resources to be captured, the Region will show the split in the additional subsidy table.

#### ***e. Small System Requirement***

In early 2014, an established understanding of the small systems requirement was reinterpreted by EPA HQ. Previously in Region 1, the understanding of the requirement was that the minimum dollar amount required to go to systems serving a population under 10,000 (to the extent practicable) was calculated to be 15% of the capitalization grants. With clarification from EPA HQ, the requirement was defined as 15% of the total amount available for assistance from the Fund. The total amount available for assistance is provided by the state in their intended use plan.

This requirement was further discussed in a Q&A document sent out by EPA HQ in December 2015. States must calculate the obligation of the small systems requirement once per year during the IUP development. The calculation is based on all funds the state plans to make available for assistance agreements as described in the state's IUP sources and uses table.

In FY22, MA DEP funded 6 small system loans totaling over \$60 million. The small system requirement of the total available funds for the 2021 IUP was approximately \$23 million. The Mass DEP elevated the small system projects and far exceeded the 15% requirement. The DWSRF program uses outreach efforts for small system projects throughout the Commonwealth. The 2% Small Systems Technical Assistance set-aside is used to emphasize the SRF as a low-cost source of financing.

In recent years, Massachusetts has been consistently meeting the 15% small systems requirement. There are still obstacles in funding small private systems but there is an effort to minimize the regulatory burden with circuit riders and technical assistance. In FY22, Massachusetts had a contractor conduct a survey and focus group to see how the Commonwealth could better serve small and disadvantaged communities through the DWSRF. Mass DWSRF program is looking at loan terms and interest rates to see if there are any changes that can be made to provide more funding to small and disadvantaged communities.

#### ***f. Set-Aside Summary***

During the SFY22, the set-aside activity has followed the approved workplans that the MA DEP submitted as part of their 2021 capitalization grant application. The MA DWSRF program continues to run a successful Public Water System Supervision (PWSS) program utilizing the DWSRF set-aside funding. The majority of the set-asides go to fund drinking water staff that work on source water protection, capacity development, operator certification, PWSS, small system technical assistance and wellhead protection.

The Interagency Service Agreement (ISA) with UMass Amherst allows Mass to provide a variety of technical, managerial, and financial assistance to small water systems and also provides training to drinking water operators. Sanitary surveys are reviewed and help direct what types of classes

would be most beneficial. One of the subcontracts provides training for public water systems on cybersecurity which translates very well between requirements and what operators need to do to keep a public water system safe from threats. Lead service line (LSL) support is another component of technical assistance allowing small systems to develop their LSL inventories and their replacement plans (TAPS).

#### ***g. Justice40***

In January 2021, Executive Order 14008 – Tackling the Climate Crisis at Home and Abroad announced Justice40, which mandates that at least 40% of the benefits of certain federal programs must flow to disadvantaged communities. In July 2021, EPA received Interim Guidance to support implementation of Justice40. This guidance included six EPA programs as part of the Justice40 pilot including the DWSRF.

**Table 7.** Hardship or Disadvantaged Community Funding

	<b>SFY 2022</b>	<b>Cumulative as of 6/30/22</b>
<b><i>Number of Agreements<sup>17</sup></i></b>	12	31
<b><i>Dollar Amount<sup>18</sup></i></b>	\$100,891,671	\$199,216,273
<b><i>Additional Subsidy to DAC<sup>19</sup></i></b>	\$16,159,426	\$121,114,886

Massachusetts reviews their disadvantaged community definition every year to ensure that additional subsidy is reaching the communities that need it most. The DAC definition also mirrors the state's affordability criteria for the CWSRF program which is beneficial for communities that are applying to both infrastructure financing programs. As mentioned previously, Mass utilized a contractor to look at how to reach more small and disadvantaged communities and is looking into recommendations made in that report. Mass has also been reaching out to community groups to try to get more engagement in addition to normal DWSRF marketing efforts.

The Commonwealth provides additional points toward priority ranking for disadvantaged communities and environmental justice communities. According to the 2022 NIMS data, Massachusetts provides over 65% of the DWSRF funding to DACs including a significant amount of additional subsidy.

#### ***h. Climate Resiliency***

Massachusetts provides additional points towards priority ranking for resiliency components in a project. The Commonwealth has a very proactive climate and resiliency program and offers grants for those types of projects. Mass also has a climate resiliency plan which sets objectives to promote resiliency in infrastructure projects and develops tools to better design infrastructure that would better hold up against climate change.

<sup>17</sup> NIMS lines 187 and 188, respectively.

<sup>18</sup> NIMS lines 189 and 190, respectively.

<sup>19</sup> NIMS lines 191 and 192, respectively.

Mass is requiring the Federal Flood Risk Management Standard (FFRMS) for all projects, not just equivalency projects because it is such an important priority.

#### ***i. Capitalization Grant Closeouts***

Table 8. Open Capitalization Grants and Requirements Met

<b>Grant</b>	<b>FFATA Reporting</b>	<b>Subsidy Commitments</b>	<b>Final Financial Status Report (FSR) Submitted</b>
2020	Yes	No	Yes
2021	Yes	No	No

Massachusetts has provided all necessary closeout documentation in a very timely manner allowing only 2-3 open grants at a time. The Region will continue to work with Mass to close out the capitalization grants as expeditiously as possible.

### **V. CONCLUSIONS**

Overall, the state is implementing a well-organized, well-managed, efficient and effective DWSRF program. EPA commends the Trust and Mass DEP staff for working diligently to meet their commitments under the base program. The state's goals of addressing risks to public health through the development and implementation of the DWSRF Program appear to have been met while running the program in accordance with pertinent 2 CFR Part 200 administrative requirements for grants to state and local governments.

#### ***a. Follow Up from Last Year's PER***

No action items were identified in last year's PER.

#### ***b. Action Items and Recommendations for this Year's Review***

No action items were identified during this annual review.

### **VI. ANNUAL REVIEW PARTICIPANTS**

Table 9. List of Annual Review Participants

Name and Affiliation	Role/Responsibility	<u>Participation</u>			
		Entrance	Program Interview	Financial Interview	Exit
<u>EPA Region 1</u>					
Mark Spinale	Manager	X			
Sarah Connors	Project Officer	X			
Carrie Garau	Financial Analyst	X		X	X
Lucy Lao	Financial Analyst	X		X	X
Katie Marrese	DWSRF Coordinator	X	X		X
Brendan Mcinerney	Financial Analyst	X		X	X
Noah Mohl	Financial Analyst	X		X	X
Michael Silano	Project Officer	X			X

*Jason Turgeon*  
*David Cash*

Project Officer	X	X		X
Regional Administrator	X			
Chief of Staff	X	X		

*Sanjay Seth*

### ***MassDEP***

*Maria Pinaud*

Director, Division of  
Municipal Services

X

X

X

*Robin McNamara*  
*Ashraf Gabour*

Deputy Director, DMS

X

X

X

Program Manager,  
DMS

X

X

X

*Yvette DePieza*

Director, Drinking  
Water Program

X

X

*Kathleen Baskin*

Assistant  
Commissioner

X

*Stephanie Cooper*

Deputy  
Commissioner, Policy  
& Planning (at time of  
review)

X

*Gregory Devine*

SRF Program Section  
Chief, NERO

X

X

X

*Michele Higgins*

SRF Program Section  
Chief, SE & Central

X

X

X

*Ping Yee*

SRF Data Support

X

X

*Michael Celona*

DW Specialist, DW  
Program

X

### ***Mass Clean Water Trust***

*Susan Perez*

Executive Director

X

X

X

*Nathanial Keenan*

Deputy Director

X

X

X

*My Tran*

Treasurer

X

*Joshua Derouen*

Senior Program  
Associate

X

X

*Jonathan Maple*

Senior Policy Analyst

X

X

*Kailyn Fellmeth*

Program Associate

X

*Kathryn Armour*

Data Analyst

X

*Sally Peacock*

Controller

X

*Rachel Stanton*

Investor Relations &  
Communications  
Designer

X